

SOCIAL SECURITY ADVISORY BOARD STATEMENT ON THE SUPPLEMENTAL SECURITY INCOME PROGRAM

Work Incentives and Work Supports in the SSI Program

July 2017

Public Law 104-193 requires that members of the Social Security Advisory Board (the Board) be given an opportunity, either individually or jointly, to include their views in the Social Security Administration’s annual report to the President and Congress on the Supplemental Security Income (SSI) program. We have asked the Social Security Administration (SSA) to include in this year’s annual report the following discussion of work incentives and work-facilitating policies in the SSI program.

I. Executive Summary

Supplemental Security Income (SSI) is a means-tested cash assistance program that serves the blind, elderly, and people with disabilities. In March 2017, the program provided benefits to about 8.3 million recipients, including 4.8 million working-age recipients — adults aged 18 to 64.¹ The program pays out about \$4.5 billion a month in federal funds and about \$230 million in monthly federally-administered state supplements, with an average monthly benefit of just over \$540 per person.²

Earnings and work capacity are primary screens for working-age adult SSI eligibility, meaning the pool of SSI recipients who can work is limited. However, for the sake of program integrity and the social and economic wellbeing of its participants, it is vital that recipients who wish to work are provided adequate support. This support should come in the form of training, financial counseling, and assistance in finding jobs that can accommodate recipients’ disabilities. The SSI benefit structure should also ensure that recipients who can work have the economic incentives to do so. The SSI program currently has provisions that aim to do all of these things, some to better effect than others. There is scope for improvement.

Selected Acronyms

BWE	Blind Work Expenses
CDR	Continuing Disability Review
DDS	Disability Determination Services
EXR	Expedited Reinstatement of Benefits
FBR	Federal Benefit Rate
IRWE	Impairment Related Work Expenses
PASS	Plan to Achieve Self-Support
SEIE	Student Earned Income Exclusion
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSDI	Social Security Disability Insurance
SSI	Supplemental Security Income
TTW	Ticket to Work

¹ “[SSI Monthly Statistics, March 2017](#),” Social Security Administration, Table 2.

² *Ibid.*, Table 6 and Table 7.

In this statement, the Board considers the employment prospects of the working-age SSI population and how the program could better move non-working recipients into employment. We review the barriers to employment that SSI recipients face; policies that are currently in place to encourage recipients to find and keep employment; and recipients' awareness of those policies. The statement concludes with a description of several policies not currently in place that may better promote work among recipients. These include the introduction of more effective economic incentives for work, shifting SSI policymaking authority to the states, and introducing work or work-search requirements for certain SSI recipients.

II. Program Background

SSI was established in 1972 to replace a network of state-administered means-tested cash assistance programs that served the blind, elderly, and people with disabilities. Under that previous arrangement, the federal government matched state funding, but each state had its own set of eligibility criteria and payout structures.³ In 1972, the SSI program was amended into the Social Security Act of 1935 to establish a minimum national income for these at-risk populations and to create consistent eligibility standards among the states.⁴ The program commenced operations in 1974.⁵

In creating the program, Congress intended for SSI to be an assistance program of last resort that includes work and rehabilitation incentives, while also appropriately coordinating with other federal assistance programs.⁶ The Social Security Administration (SSA) administers the SSI program in significant coordination with state governments, many of which supplement SSI benefits.

For working-age individuals — those aged 18 to 64 and the group primarily considered in this report — SSI eligibility can only be granted on the basis of blindness or disability in conjunction with a low income and limited financial resources. While the blindness determination process is relatively straightforward, the disability determination process often involves subjective judgement and leaves room for discretion. Examiners must weigh the severity of the applicant's disability, the applicant's skills and past work experience, and available work opportunities. Once admitted onto SSI program rolls, SSA conducts periodic income and resource redeterminations. For recipients admitted through a disability, SSA conducts subsequent medical reviews. Monthly benefit amounts are dependent on current earned and unearned income, marital status, and living arrangements.

a. The SSI Benefit Structure

The SSI benefit ensures that all recipients maintain a minimum income, known in the program as the federal benefit rate (FBR). The FBR is currently set at \$735 for an individual recipient and \$1,103 for couples. Those amounts are subject to annual cost-of-living adjustments.

³ Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program (Baltimore: Social Security Administration, 2016), 7.

⁴ Patricia Martin and David Weaver, "[Social Security: A Program and Policy History](#)," Social Security Bulletin 66, no. 1 (2005): 8.

⁵ Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program, 1.

⁶ *Ibid.*, 8.

The cash value of the SSI benefit varies by recipient and is equal to the difference between the FBR and “countable income.” An individual with no countable income will receive the maximum benefit, equal to the FBR. When countable income equals or exceeds the FBR, benefits are reduced to zero.⁷ Countable income is gross income (earned or unearned) minus a host of exclusions, most of which are discussed in this statement.

The most notable exclusions are an initial fixed-value income disregard and 50 percent of any additional earnings thereafter. This means that SSI recipients may earn small amounts with no loss of benefits, but eventually benefits will gradually decrease as earnings increase. The fixed-value disregard allows the first \$85 of monthly earnings to be excluded from countable income — specifically, a broadly applicable \$20 income disregard and an additional \$65 disregard on earned income. After that initial disregard, each dollar of earned income corresponds to only \$0.50 of countable income. This implies that benefits are reduced by \$0.50 for each additional dollar of earned income, and we will refer to this policy feature as a 50 percent benefit reduction rate. Benefits are reduced dollar-for-dollar for unearned income past the \$20 disregard.⁸

Other noteworthy income exclusions are discussed in a later section of this statement. With the exception of Temporary Assistance for Needy Family (TANF) payments, most need-based government assistance transfers are not countable income.⁹

States that supplement SSI payments and administer their own supplements may have different income exclusion and eligibility rules for the state-funded portion of the benefit. As of 2016, 33 states administer their own supplement program.¹⁰

b. The SSI Application and Disability Determination Process

Unlike most means-tested assistance programs, SSI is specifically targeted toward a population that is unlikely to be working. In March 2017, 4.8 million SSI recipients — almost 60% — were of working age (18 to 64).¹¹ The vast majority of these recipients became eligible through a disability. Fewer than 1% of SSI recipients qualify for benefits because they are blind.¹²

SSI applications are taken in person, by phone, or, beginning in 2017, via an online tool. A five-step review process screens out working-age applicants with disabilities who are deemed able to work. First, Social Security field office staff will automatically deny applicants who are currently working and earning more than the threshold for substantial gainful activity (SGA) — \$1,170 per

7 For an unmarried individual recipient with income exclusively from earnings and no in-kind support, benefits would cease when the recipient earns \$1,555 (using the 2017 individual FBR of \$735). While this amount is above the “substantial gainful activity” (SGA) earnings threshold for SSI eligibility, due to section 1619(a) of the Social Security Act, SSI recipients can earn past SGA thresholds and still receive SSI payments. In December 2015, only 13,098 were receiving benefits under 1619(a). Social Security Administration, SSI Annual Statistical Report, 2015 (Washington, DC: Social Security Administration, 2017), 101.

8 Types of unearned income include cash gifts, pensions, Social Security benefits, and income from interest. SSA also reduces SSI benefits for in-kind support and maintenance, which is food or shelter provided by someone else. The value of the in-kind support and maintenance is treated like unearned income, but the value of the support that is actually counted by SSA is capped at one third of the FBR plus \$20 (so for an individual recipient in 2017, a cap of \$265).

9 A full list of unearned income exclusions can be found in Section V.B.2 of the 2016 SSI Annual Report. Social Security Administration, Annual Report of the Supplemental Security Income Program, 87-89.

10 Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program, 27.

11 “SSI Monthly Statistics, March 2017,” Social Security Administration, Table 2.

12 Social Security Administration, SSI Annual Statistical Report, 2015, 26.

month in 2017.¹³ Field office staff also check whether applicants have countable resources below the SSI resource limit.¹⁴

Next, disability claims are sent to state disability determination services (DDS) offices, where they are evaluated by a disability examiner who may deny or approve the claim.¹⁵ Decisions can be made based on the evidence provided by the applicant, additional medical evidence, and consultative evaluations obtained by the examiner. A claim can be approved if the examiner determines that the underlying impairment is severe and that the medical evidence shows the applicant's medical condition meets or equals an impairment listed in the relevant federal regulations.¹⁶ If the applicant's disability is severe but does not meet one of the listed impairments, then the examiner determines, based on age, education level, and previous work, whether the applicant retains sufficient functional capacity to do either their previous work or other jobs for which they may be qualified. At that stage, a finding of sufficient residual functional capacity will lead to a denial of the application. Upon benefit award, SSA periodically reviews claims to assure continued eligibility for SSI through non-medical redeterminations and continuing disability reviews (CDRs).¹⁷ Non-medical redeterminations check recipients' income and resources, among other eligibility indicators, while CDRs verify that recipients still have a qualifying disability.

The SSI application process can be invasive, asking personal questions about living arrangements and requiring submission of medical records. It may discourage those with less severe disabilities or high work potential from applying. The process can take months or even years in cases where an applicant appeals an unfavorable decision. About one in three non-elderly SSI recipients enter the program through a successful appeal.¹⁸ On the other hand, a less invasive procedure for adjudicating SSI applications may lead to unwarranted allowances, as information relevant for accurately implementing SSI's eligibility rules may be missed.

Among working-age SSI recipients, the five most common types of disability are: intellectual disability (18.8%); mood disorders (16.1%); diseases of the musculoskeletal system and connective tissue (14.0%); Schizophrenic and other psychotic disorders (8.8%); and diseases of the nervous system and sense organs (7.8%).¹⁹ A full breakdown of SSI disability diagnoses can be found in Appendix Table 1.

13 Some SGA evaluations are performed at state disability determination services offices.

14 Individual SSI recipients cannot have resources that exceed \$2,000, and spousal recipients cannot have resources that exceed \$3,000. There are few exclusions in resource counting, though one major one is the value of a home or real property. A full list of resource exclusions can be found in Section V.B.3 of the 2016 SSI Annual Report. Social Security Administration, Annual Report of the Supplemental Security Income Program, 89.

15 In evaluating the medical evidence, disability examiners may be assisted by a medical consultant who is trained to interpret medical documentation within the framework of SSA statutory and regulatory requirements.

16 See 20 C.F.R. 416.925, Listing of Impairments in Appendix 1 of Subpart P.

17 Non-medical redeterminations and continuing disability reviews (CDRs) are conducted at intervals that are tied to likelihood of increased resources or income and likelihood of disability improvement, respectively. The number of reviews completed is also related to available SSA resources, which itself is dependent on Congressional appropriations. In each fiscal year from 2010 and 2015, SSA completed between 2.08 and 2.45 million redeterminations (excluding "limited issue" reviews) and between 201,000 and 554,000 SSI full medical CDRs (excluding "reviews conducted outside of the centrally initiated CDR scheduling process"). Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program, 99-102. SSA conducted more than 600,000 medical CDRs in FY 2016, according to Michael Stephens, note to SSAB, April 24, 2017.

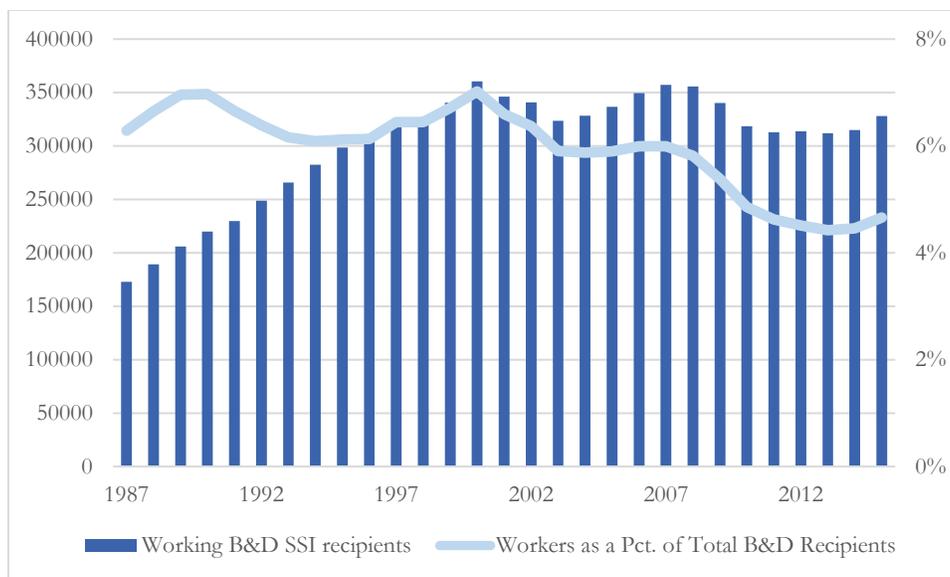
18 Mark Duggan, Melissa S. Kearney, and Stephanie Rennane, "[The Supplemental Security Income Program](#)," NBER Working Paper Series, Working Paper 21209 (2015): 9.

19 Social Security Administration, SSI Annual Statistical Report, 2015, 95.

III. Work Capacity of the SSI Population

In December 2015, only 4.5% of all SSI blindness or disability recipients were working, though a slightly higher percentage (6.3%) of working-age recipients were working in that month.²⁰ While the total number of SSI blindness or disability recipients has increased secularly since the program’s inception, the number of those recipients working peaked in the year 2000. Trends in the number and percent of SSI recipients who work can be seen in Figure 1.

Figure 1: SSI Blindness or Disability (B&D) Recipients that Work, 1987 to 2015



Data includes recipients of all ages, not just working age recipients.

Source: Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program, 110-111.

December employment counts — which are reported in SSA’s annual SSI Statistical Report — likely understate the number of SSI recipients who work in each year, as some SSI recipients may participate in seasonal work or other short-term employment. Over a multi-year period, SSI employment rates are even higher. Muller, Scott, and Bye found that between 1976 and 1989, 23.5% of SSI recipients had earnings at some time while on program rolls.²¹ During the period of that study, however, annual December counts never showed an SSI employment rate higher than 6.5%.²²

An additional way to view work capacity is to consider the number of recipients that eventually attain 1619(b) status, which allows SSI recipients to keep Medicaid benefits while their countable income is high enough to eliminate the receipt of SSI cash benefits. While 1619(b) does allow for SSI recipients to have some unearned income, the status is only granted to SSI recipients who are indeed working. Ben-Shalom, et. al. found that 11.9% of a 1996 SSI recipient cohort achieved 1619(b) status for at least one month in the 11 years following initial benefit

20 Social Security Administration, SSI Annual Statistical Report, 2015, 91, 96.

21 L. Scott Muller, Charles G. Scott, and Barry Bye, “Labor-Force Participation and Earnings of SSI Disability Recipients: A Pooled Cross-Sectional Times Series Approach to the Behavior of Individuals,” Social Security Bulletin 59, no. 1 (1996): 25.

22 Social Security Administration, SSI Annual Statistical Report, 2015, 91

receipt.²³ The 11.9% estimate may actually understate the number who can work their way off cash benefits, as some SSI recipients may leave the SSI program entirely after high earnings, skipping the 1619(b) Medicaid benefits.

Broadly, however, SSI recipients who work typically earn little, which suggests most work part time. In December 2015, 21.8% of SSI workers earned less than \$65 and 59.1% earned less than \$500.²⁴ However, 11.1% of SSI workers earned \$1,500 or more in that month — a concentration of earnings near the top of the distribution.²⁵ These earners are likely mostly 1619(b) recipients.

Unsurprisingly, whether an SSI recipient works is largely associated with age, education, and nature of disability.²⁶ More specifically, working SSI recipients are on average younger and more educated, and are more likely to have a mental disorder diagnosis. In December 2015, 70.5% of working SSI recipients had a mental disorder.²⁷ SSI recipients with a musculoskeletal system or connective tissue disease had the largest disparity between representation in the total SSI population and representation in the SSI working population, accounting for 14.0% of all SSI recipients but just 5.1% of SSI workers.²⁸ Appendix Table 1 shows the full breakdown of working SSI recipients by disability diagnosis.

Responses compiled from the SSA National Beneficiary Survey (NBS) are consistent with the notion that non-working SSI recipients are not working due to their disability. However, other NBS responses shed some light on possible areas to improve work incentives.²⁹ Among non-working SSI recipients who do not also receive Social Security Disability Insurance (SSDI) benefits, about 88% said their impairment prevented them from working, 25% said they were discouraged from past work attempts, and 25% said that workplaces were not accessible to people with their disability.³⁰ These responses can be seen in full in Appendix Table 2.

The efficacy of work incentives depends on work capacity, which is admittedly difficult to determine. There are likely many non-working SSI participants who could work to some degree. In fact, Livermore (2011) used 2004 NBS data to estimate that 1.8 million working-aged SSI recipients (about 39% of all working-aged recipients) were “work-oriented,” meaning they have a desire or personal expectation to start or continue working.³¹ This is far greater than the percentage of recipients that are actually working. Both program administrators and the underlying SSI policies should prioritize moving as many of these recipients as possible into employment.

23 Yonatan Ben-Shalom, David Stapleton, Dawn Phelps, and Maura Bardos, [Longitudinal Statistics for New Supplemental Security Income Beneficiaries](#). (Washington, DC: Mathematica Policy Research, 2012), xiii. See section IV.b of this statement for a more thorough discussion of 1619(b) status.

24 Social Security Administration, *SSI Annual Statistical Report, 2015*, 100.

25 *Ibid.*

26 Muller, Scott, and Bye, “Labor-Force Participation and Earnings of SSI Disability Recipients: A Pooled Cross-Sectional Times Series Approach to the Behavior of Individuals,” 33.

27 Social Security Administration, *SSI Annual Statistical Report, 2015*, 95.

28 *Ibid.*

29 Debra Wright, Gina Livermore, Denise Hoffman, Eric Grau, and Maura Bardos, [2010 National Beneficiary Survey: Methodology and Descriptive Statistics](#). (Washington, DC: Mathematica Policy Research, 2012), 32.

30 *Ibid.* “Non-concurrent” refers to SSI recipients who do not also receive Social Security benefits.

31 Gina Livermore, “[Social Security Disability Beneficiaries with Work-Related Goals and Expectations](#),” *Social Security Bulletin*, 71, no. 3 (2011), 64.

IV. Current Work Incentives in the SSI Program

The SSI program attempts to encourage work through its benefit formula, various earnings exclusions, and access to employment and education supports. SSA broadly labels these policies as “work incentives,” though they may more accurately be described as “work-facilitating policies,” since some do not necessarily incentivize work.

SSI work-facilitating policies follow two central principles: first, curb the amount of benefits lost as earnings increase, and second, prepare recipients for jobs they otherwise could not perform. Curbing benefit reduction comes mainly through a number of countable income exclusions, while job preparation comes mainly through SSA’s Ticket to Work (TTW) program.

a. SSI’s Benefit Structure and Work Incentives

All programs that provide assistance contingent on low income discourage work. Additional earnings will eventually correspond to lower benefits, reducing the financial returns to work. However, the SSI fixed-value disregard and subsequent 50 percent benefit reduction rate on earnings are designed to mitigate that effect by not penalizing initial wages and smoothing out benefit reduction thereafter. The mitigation of the work disincentive through the gradual reduction in benefits does not imply the introduction of a positive “work incentive.”

The initial fixed-value earnings disregard is intended to encourage recipients to enter a job, as initial earnings do not lower benefits. Recipients take home all earned income without a corresponding benefit reduction for the first \$65 earned per month (\$85 if a recipient has no unearned income). Since the disregard has not been increased since the program’s inception in the 1970s, the provision is much weaker than it once was. The original \$65 disregard would equate to \$340 in 2017 dollars had it been adjusted for inflation (the \$85 amount would represent \$444 in 2017 dollars).³²

The subsequent 50 percent benefit reduction rate ensures that additional earnings always increase net monthly income (the sum of SSI benefits and earnings). This feature of the program is unaffected by inflation. The smoothing of the benefit phase out via the 50 percent benefit reduction rate is made possible in part through Section 1619(a) of the Social Security Act. That provision allows SSI recipients to earn up until the point where the 50 percent benefit reduction rate reduces the SSI benefit to \$0, even if those earnings exceed SGA. Without 1619(a), recipients would see a sharp drop in benefits at the SGA threshold due to ineligibility for the program. This would likely result in a severe work disincentive effect at earnings levels near that threshold.

These features of the benefit structure only constitute a smaller work disincentive and not a positive work incentive. One could imagine a cash transfer program in which benefits are reduced one for one with increased earnings. Such a program would end benefits at a much lower income level compared to SSI, thus concentrating benefits on a poorer population. However, a one-for-one reduction in benefits would eliminate any financial gain to employment.

³² “[CPI Inflation Calculator](#)” Bureau of Labor Statistics. Inflation was calculated with January 1974 as the base year and March 2017 as the target year.

Work would never increase total income when a recipient has earnings that are less than the FBR.³³

The current SSI benefit structure is a milder work disincentive than a one-for-one reduction, at least for those workers who earn less than the SSI FBR. But, a one-for-two benefit reduction nevertheless is quite a strong work disincentive for those for whom it applies. It implies a 50 percent marginal tax rate on earnings — a tax rate much higher than the marginal income tax rate on people who do not receive SSI.

In December 2015, there were 328,008 blind or disabled SSI recipients who were working and 13,098 with incomes above SGA through Section 1619(a).³⁴ Section 1619(a) participation peaked at 37,271 in 1998 and was at its lowest between 2009 and 2012 (under 12,000 in each year).³⁵

b. Additional Policies that Limit Benefit Reduction

Beyond the initial fixed-value earnings disregard and subsequent 50 percent benefit reduction rate on earnings, several other policies and programs exist to limit the decrease in benefits associated with additional earnings. These include: income exclusions for blind work expenses (BWE) and impairment related work expenses (IRWE); the student earned income exclusion (SEIE); continued Medicaid benefits through 1619(b) and Medicaid Buy-In provisions; and the Plan to Achieve Self Support (PASS) program. Additionally, SSI recipients have access to expedited reinstatement of benefits if a work attempt fails.

Blind Work Expenses (BWE) and Impairment Related Work Expenses (IRWE)

The blind and impairment related work expenses exclusions allow SSI recipients to deduct the costs of certain goods and services from their countable income for the purposes of calculating the SSI benefit. Eligible IRWE expenses are limited to those directly related to both a recipient's impairment and job, including funds used to purchase medical devices, prostheses, vehicle and residence modifications, and other accommodating equipment.³⁶

Eligible BWE expenses are much broader, not having to relate directly to an individual's blindness. BWE deductible expenses can include transportation, meals, and even income and Federal Insurance Contribution Act (FICA) taxes.³⁷

One other notable difference between BWE and IRWE is that IRWE expenses are deducted before the 50 percent benefit reduction rate on earnings is applied and BWE expenses are deducted after the benefit reduction rate is applied.³⁸ This has the effect of making equal exclusion amounts twice as valuable under BWE compared to IRWE.

33 After earnings reach the FBR, benefits would halt under a one-for-one reduction, and earnings would no longer correspond to a benefit penalty.

34 Social Security Administration, SSI Annual Statistical Report, 2015, 101.

35 Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program, 110-111.

36 Social Security Administration, [2017 Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance \(SSDI\) and Supplemental Security Income \(SSI\) Programs](#), (Baltimore: Social Security Administration, 2017), 23-24.

37 Social Security Administration, 2017 Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs, 49.

38 Ibid. As an example, consider an SSI recipient with \$1,085 in monthly earned income and no unearned income. A \$100 IRWE claim would result in \$450 of countable income (\$1,085 minus the \$85 disregard minus the \$100 IRWE claim, all divided by two), corresponding to a benefit

In December 2015, 3,188 SSI recipients took advantage of IRWE and 1,161 took advantage of BWE.³⁹ BWE exclusions tend to be larger than IRWE exclusions. About 67% of IRWE exclusion claims were less than \$100, while about 41% of BWE claims were less than \$100.⁴⁰ Additionally, 4.3% of BWE claims were over \$1,000, compared to just 0.5% of IRWE claims.⁴¹ Since 1990, IRWE claims peaked at 9,940 in 1995 and BWE claims peaked at 4,454 in 1992.⁴²

Student Earned Income Exclusion (SEIE)

The student earned income exclusion allows SSI recipients under age 22 who attend school regularly to deduct \$1,790 of earned income per month from countable income (with an annual cap of \$7,200) for the purpose of their benefit calculation.⁴³ SEIE exclusions are applied before other earned income exclusions. This provision allows young working-age SSI recipients to work part time to pay for education without threatening their benefits. Ideally, the education will pay off in the form of self-sufficiency down the line. SSA does not publish SEIE participation in any of its annual reports. Kemp found that in each of the years 2004 and 2005, about 26,000 students participated, with a median annual exclusion value of about \$1,000.⁴⁴ This program in particular could benefit from more rigorous evaluation.

Section 1619(b) and Medicaid Buy-In

These two programs extend Medicaid benefits to SSI recipients who would have otherwise lost SSI “recipient” status due to income. For many SSI recipients who can participate in work, the continued receipt of health care coverage may be more valuable than the marginal income gain associated with earning one’s way off SSI benefits. These provisions aim to make increased work more attractive by extending coverage even after SSI cash benefit receipt ends.

Since SSI recipients are typically categorically eligible for Medicaid, Section 1619(b) extends “SSI recipient” status to individuals who once received SSI benefits but whose earnings and other income become too high for any cash benefit receipt. Section 1619(b) status is granted only to individuals who meet the following criteria: would be eligible for SSI cash benefits but for earnings; still meet the definition of disabled under the Social Security Act; have received SSI payments in a current and continuous period of eligibility; are deemed to need Medicaid to continue working; and are deemed to not be able to afford equivalent medical coverage.⁴⁵ In 2015, there were 76,333 1619(b) SSI workers, more than 1619(a), IRWE, BWE, and PASS (discussed below) combined.⁴⁶

of \$285 (the FBR of \$735 minus \$450 of countable income). A \$100 BWE claim would result in \$400 of countable income (\$1,085 minus the \$85 disregard, divided by two, and then minus the \$100 BWE claim), corresponding to a benefit of \$335 (the FBR of \$735 minus \$400 of countable income).

39 Social Security Administration, SSI Annual Statistical Report, 2015, 101.

40 Ibid.

41 Ibid.

42 Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program, 112.

43 Social Security Administration, 2017 Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs, 40. SSA defines regular school attendance as at least 8 hours per week for college students and at least 12 hours per week for grade school, job training, and home school students. The dollar values listed are for 2017, and are adjusted each year for inflation.

44 Mary Kemp, “[Recipients of Supplemental Security Income and the Student Earned Income Exclusion.](#)” Social Security Bulletin, 70, no. 2 (2010): 34.

45 The equivalent medical coverage varies by state, and SSA calculates an earnings threshold for each state to determine if the recipient could afford that coverage. Social Security Administration, 2017 Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs, 46.

46 Social Security Administration, SSI Annual Statistical Report, 2015, 101.

Medicaid buy-in is a program that states can opt into. It allows them to extend Medicaid coverage to working individuals with disabilities, as well as individuals who lose Medicaid coverage through SSI due to medical improvement, but who still have a medically determinable severe impairment. Each state can set its own income and resource limits.⁴⁷

Plan to Achieve Self-Support (PASS)

PASS is a program intended to help SSI recipients set aside income and resources that could help them find a job or start a business. Income — earned or unearned — set aside as part of a PASS is not included for the purposes of SSI benefit reduction.⁴⁸ PASS exclusions are deducted from countable income after other exclusions are applied first, including the 50 percent benefit reduction rate. Additionally, resources accumulated as part of a PASS are not counted toward the SSI asset limit. Unlike other income exclusions, however, PASS requires participants to compile a detailed work plan before exclusions can take effect.

PASS was included in the original SSI authorizing statute. SSA’s Program Operations Manual System (POMS) states that, “Congress intended that the PASS provision ‘be liberally construed if necessary to accomplish [its] objectives.’”⁴⁹ SSA field office staff or outside actors work with SSI recipients to create PASS plans, and those plans are then reviewed by a “PASS specialist located at a PASS cadre or an Employment Support Representative servicing a particular pilot area.”⁵⁰

SSA notes that PASS could help recipients save for education, vocational training, equipment needed for work, or transportation expenses related to work.⁵¹ Before any PASS exclusions can take effect, SSA must first approve the plan, which must be determined both feasible and sufficiently detailed. SSA then continually monitors the plans. The application form for a PASS is currently 16 pages long, which in combination with low awareness rates (see discussion on this later) likely lead to low participation in the program.⁵² The application’s complexity is likely attributable to recommendations from a 1996 General Accounting Office (GAO) report that identified the program as vulnerable to abuse.⁵³

In December 2015, just 821 SSI recipients had a PASS, including just 341 SSI recipients with earnings. It is the least utilized SSI work incentive program among IRWE, BWE, TTW (discussed below), 1619(a), and 1619(b).⁵⁴ In years since 1990, the number of PASS plans peaked at 10,329 in 1994.⁵⁵ There do not appear to be any thorough evaluations of the program’s

47 “[Supplemental Security Income \(SSI\) Work Incentives](#),” Social Security Administration.

48 Social Security Administration, 2017 Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs, 26-27.

49 [Social Security Administration, Program Operations Manual System](#), (Baltimore: Social Security Administration, 2009), SI 00870.001.

50 Ibid.

51 Social Security Administration, SSI Annual Statistical Report, 2015, 7.

52 The Social Security Administration’s PASS application can be found at <https://www.ssa.gov/forms/ssa-545.pdf>.

53 General Accounting Office, [PASS Program: SSA Work Incentive for Disabled Beneficiaries Poorly Managed](#), (Washington, DC: General Accounting Office, 1996).

54 Social Security Administration, SSI Annual Statistical Report, 2015, 101, 114. SSA does not publish annual SEIE usage numbers, making it impossible to compare to PASS.

55 Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program, 112.

impact on work decisions, something for which the SSA Office of the Inspector General has criticized the agency.⁵⁶

Expedited Reinstatement of Benefits (EXR)

EXR allows benefits to be reinstated without reapplication when an SSI recipient loses benefits due to earnings.⁵⁷ Recipients are eligible for EXR for 5 years after losing benefits under the following conditions: the individual still has a disability that is the same or related to the original disabling condition; the disability is preventing him or her from earning the SGA threshold; the individual has satisfied the medical improvement review standards; and the individual meets all non-medical SSI eligibility requirements.⁵⁸ The provision is intended to serve as a safety net for SSI recipients considering going to work but are worried that benefits will be permanently cut off if the work attempt proves unsuccessful.

c. The Ticket to Work (TTW) and Vocational Rehabilitation Cost Reimbursement Programs

Ticket to Work is SSI's most comprehensive work incentive program. It provides access to job training programs for recipients, as well as payments to job training service providers and state vocational rehabilitation (VR) services. Formally called the Ticket to Work and Self-Sufficiency program, TTW was signed into law in 1999 and has been fully phased in since 2004.⁵⁹ The program provides vouchers, called "tickets," to working-age SSI and SSDI recipients. The tickets can be redeemed with state VR programs and private or public employment training and support services run by approved organizations called the "employment networks" (ENs).

TTW complements other SSI work incentives mentioned above through job search and preparation support. TTW also provides an added benefit of deferring medical continuing disability reviews (CDRs) that are triggered by work activity. If SSA determines that completion of a TTW program would increase the likelihood of permanent detachment from SSI rolls and if TTW participants are making adequate progress with respect to employment, recipients can continue receiving SSI benefits even if their medical condition has improved to a point where they otherwise would not be eligible to receive benefits.⁶⁰

TTW adds an additional incentive structure for employment support providers — mainly the ENs. SSA must approve an EN before it can accept tickets and receive the incentive payments. Each EN can elect one of two payout structures for each ticket holder: Milestone-Outcome or Outcome-Only.⁶¹ The Milestone-Outcome structure provides payments to ENs when certain outcomes are achieved, such as the ticket holder earning \$750 in a month, earning \$750 for multiple months, earning above SGA levels, or earning enough to reach zero-benefit status.⁶² ENs can receive up to 82 different milestone payments per SSI ticket holder, resulting in a maximum of \$23,280 paid to the EN per ticket holder. The Outcome-Only payout structure

56 Office of the Inspector General, [Social Security Administration, Audit Report: The Social Security Administration's Plan to Achieve Self-Support Program](#), (Baltimore: Social Security Administration, 2016).

57 Social Security Administration, 2017 Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs, 30.

58 Social Security Administration, [Program Operations Manual System](#), DI 13050.001.

59 William R. Morton, [Ticket to Work and Self-Sufficiency Program: Overview and Current Issues](#), (Washington, DC: Congressional Research Service, 2013), 5-6.

60 Social Security Administration, SSI Annual Statistical Report, 2015, 8.

61 Morton, [Ticket to Work and Self-Sufficiency Program: Overview and Current Issues](#), 9-11.

62 Ibid.

provides payment to ENs only if that ticket holder achieves zero-benefit status, with a maximum of 60 payments totaling \$25,680 per ticket holder.

In addition to TTW, SSA also reimburses state-run VR programs established under Title I of the Rehabilitation Act for a portion of the costs incurred when serving SSI recipients and SSDI beneficiaries. The VR reimbursement program is designed to pay only when recipients achieve SGA-level earnings for a period of nine months. However, the VR cost reimbursement is not tied to benefit suspension or termination, only to the 9-month time threshold.

The VR program is considered the primary service delivery vehicle for employment support to people with disabilities, and most TTW participants seek services from VR. However, in many states the program does not have capacity to serve everyone who is eligible. That lack of capacity is one reason the EN incentive structure was created, giving those who wish to attempt work choices in support.

In 2015, 3,677 SSI recipients generated EN payments and 3,880 SSI recipients generated VR reimbursements, with an overlap of 66 recipients.⁶³ SSI EN claims totaled \$8.6 million in 2015, while the SSI VR claims totaled \$79.5 million. The number of EN payments has increased each year since TTW began.⁶⁴ SSA also publishes a monthly “Ticket Tracker” that provides the number of tickets in use or assigned to ENs or state VR programs, though these counts do not distinguish SSI and SSDI recipients, nor do they report whether the tickets are redeemed for payment by the ENs.⁶⁵ In December 2015, those estimates show that 52,728 tickets were assigned to ENs, with the vast majority of those tickets assigned to a Milestone-Outcome payout structure. An additional 281,244 tickets were either assigned or in-use with a state VR program.

V. The Effectiveness of SSI Work Incentives

With the exception of Ticket to Work, little research has been published that evaluates the impact of specific SSI work-related policies on labor market outcomes. The following section will review some of the TTW evaluation studies, briefly explore broader economics literature to help assess SSI work incentives, and discuss information deficiencies surrounding SSI work-related policies.

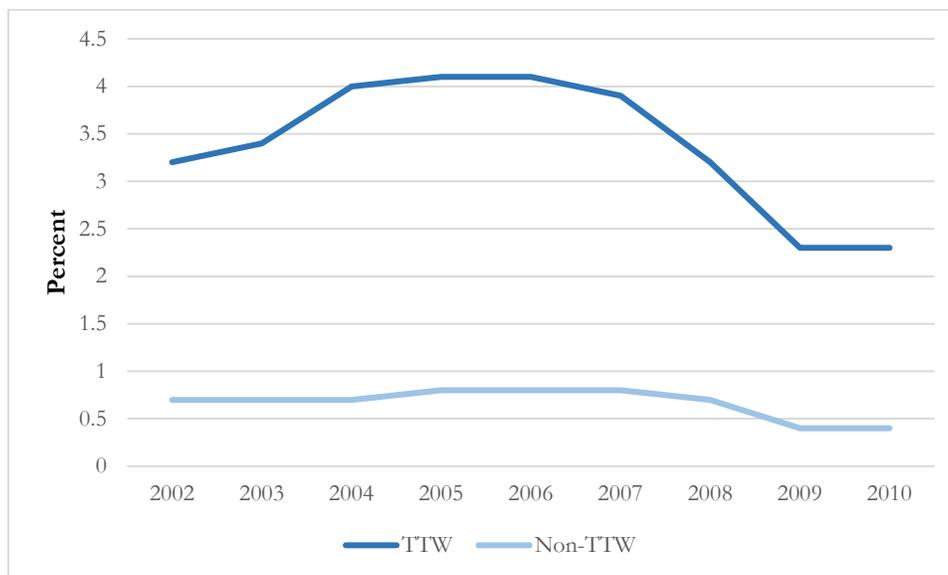
⁶³ These counts were provided by Katie Striebinger of SSA.

⁶⁴ Social Security Administration, 2016 Annual Report of the Supplemental Security Income Program, 116.

⁶⁵ “[Ticket Tracker](#),” Social Security Administration.

a. Comprehensive Evaluations

Figure 2: Percentage of SSI recipients attaining their first “nonpayment status following suspension or termination of benefits because of work,” by TTW recipient status



Source: Jody Schimmel Hyde and David C. Stapleton, “Changes to the Ticket to Work Regulations in 2008 Attracted Providers and Participants, but Impacts on Work and Benefits are Unclear,” 25.

Note: The graph shows non-concurrent SSI recipients, excluding those who also receive DI benefits. DI-SSI concurrent recipients participating in TTW saw slightly lower NSTW status rates than TTW SSI-only recipients, but non-TTW concurrent recipients saw roughly the same rates as non-TTW SSI-only recipients.

The only major SSI work incentive to receive a comprehensive evaluation related to work inducing effects is Ticket to Work. The official TTW evaluation was provided by Mathematica Policy Research, who concluded that “rigorous impact analyses failed to provide strong evidence of its impact on employment.”⁶⁶ Hyde and Stapleton found that only 4.1% of SSDI and SSI recipients participated in TTW as of 2010 (i.e. assigned their ticket to an EN or VR service).⁶⁷ They found that SSI recipients participating in TTW are more likely than those not participating to achieve “nonpayment status following suspension or termination of benefits because of work” (NSTW), with those basic result shown in Figure 2. However, they concluded that “although the statistics show that the number of beneficiaries exiting the rolls after assigning a ticket is substantial and growing, the growth to date is probably not sufficient for TTW to pay for itself via reduced benefit costs.”⁶⁸ It is also difficult to determine the proportion of recipients who reached NSTW status because of TTW, as opposed to those who would have reached NSTW status even without the program. For improving the program, Hyde and Stapleton suggest making TTW more attractive to ENs and better targeting new beneficiaries that are most likely to take up work.⁶⁹

66 “[Evaluation of the Ticket to Work Program](#),” Mathematica Policy Research.

67 Jody Schimmel Hyde and David C. Stapleton, “[Changes to the Ticket to Work Regulations in 2008 Attracted Providers and Participants, but Impacts on Work and Benefits are Unclear](#),” Social Security Bulletin, 75, no. 4 (2015): 21.

68 Ibid., 30.

69 Ibid.

b. Economic Perspectives

While Congress attempted to build several features into the SSI program to soften work disincentives inherent in income-tested programs, success at building a true work incentive has been elusive. Tension arises because the goals of providing adequate financial assistance and encouraging work are at odds. Income-testing implies that benefit levels are tied to income; as income rises, benefits decline. There is flexibility in establishing the rate of benefit decline at various earnings levels, but an eventual decline in benefits is unavoidable.

From the perspective of a recipient, the 50 percent benefit reduction rate is equivalent to a 50 percent marginal tax rate on earnings. This is because every additional dollar of earned income corresponds to a \$0.50 decrease in income from the SSI benefit. Relative to a non-SSI recipient, this is clearly a work disincentive for recipients for whom the reduction rate applies.

In income-tested programs the rate of benefit decline is typically less than dollar for dollar. Benefits are phased out gradually to avoid creating a “benefit cliff,” where benefits sharply drop when earnings exceed a certain threshold. The rate of benefit decline is less than dollar for dollar to avoid phasing out cash benefits so quickly that additional earnings correspond to little or no financial gain. The SSI benefit “eases” the rate of benefit decline through its 50 percent benefit reduction rate and its various other income exclusions.

The SSI benefit formula is particularly taxing on work compared to other assistance programs. Appendix Table 3 compares the SSI benefit structure with five other large federal assistance programs. SSI has one of the most unforgiving benefit reduction rates and fixed-value earnings disregards. For example, while SSI benefits fall by \$0.50 for each additional dollar earned (after the initial fixed-value disregard), SNAP and federal housing assistance only reduce benefits by \$0.24 and \$0.30 for each additional dollar earned, respectively.

However, lowering the benefit reduction rate would have a theoretically ambiguous net impact on work hours.⁷⁰ That is, depending on a recipient’s preferences and current work behavior, he or she may choose to work more, less, or the same. However, the work incentive of a lower benefit reduction rate is strictly positive for recipients who do not currently work at all (relative to a higher benefit reduction rate).

Empirical research shows that lower benefit reduction rates have small net effects on work decisions. Some studies find positive labor supply effects while others find negative labor supply effects, with few results of statistical significance between.⁷¹ However, there is reason to believe a significantly lower initial benefit reduction rate can provide a strong incentive to get non-workers into a job. Several studies on the Earned-Income Tax Credit — where benefits actually increase as earnings rise for low earners — have shown that the program increases probabilities of employment, though results also suggest that the EITC decreases total hours worked.⁷²

Neumark and Powers found that SSI does have negative labor supply effects on individuals nearing the age of 65 (the age that SSI receipt is no longer dependent on disability), but no

70 See, for example, Robert Moffitt, “[Welfare Programs and Labor Supply](#),” NBER Working Paper Series, Working Paper 9168 (2002), 11-18.

71 Moffitt, “Welfare Programs and Labor Supply,” 32-42.

72 *Ibid.*, 38.

comparable studies exist for working-age SSI blind and disabled receipt.⁷³ There is reason to believe that studies on work incentives in other welfare programs are not translatable to the SSI program, as SSI recipients typically face health constraints not as common to recipients of other programs. SSI is explicitly intended to serve a population with weak labor market prospects, while other income-tested programs more broadly serve the poor. Nevertheless, it would be incorrect to believe that non-working SSI recipients with residual work capabilities would not respond to a properly structured work incentive system by increasing their labor supply.

Under current policy, increased work also has the potential to negatively affect a person's benefits from other government assistance programs, layering additional work disincentives on the SSI program. Because other programs are associated with their own set of benefit reduction rates, SSI participants would ideally detect when and by how much additional working may reduce their other benefits, and then decide whether increased economic activity is worthwhile. However, the complexities of these interactions may instead lead to decision-making that focuses on avoiding risk in favor of a guaranteed income, thereby depressing work activity. While assistance program marginal tax rates are not quite additive, beneficiaries of multiple programs may see particularly high benefit reduction rates when choosing to work longer or at a higher wage rate.⁷⁴ This all implies that any work inducing efforts in the SSI program will often see a muted effect due to work disincentives found in the benefit formulas of other programs.

Appendix Table 3 gives a condensed overview of multiple program receipt among SSI recipients and how those other programs calculate benefits, considering five other major federal assistance programs. Indeed, SSI recipients participate in many other public assistance programs. Duggan, Kearney, and Rennane found that 100% of SSI recipients receive some other form of cash benefit, and 97% receive some sort of non-cash benefit.⁷⁵ However, as mentioned above, SSI has arguably the strictest benefit formula when considering earned income. This suggests that SSI serves as a much bigger work disincentive for recipients on other programs compared to the degree to which other programs serve as work disincentive for SSI recipients.

c. Information Deficiencies

Whether and how any law affects people's behavior depends on whether and how they understand the law. In the case of SSI, studies indicate that recipients do not understand how the law affects them. Data from the 2010 National Beneficiary Survey (NBS) show limited understanding of the SSI law as it relates to work.⁷⁶ Among non-concurrent SSI recipients (those not also receiving SSDI) age 18 or older, only 21.5% were aware of Ticket to Work and only 11.9% were aware of earned income exclusions (the disregard and/or the 50 percent benefit reduction rate). Awareness rates can be seen in full in Appendix Table 4.

It is not clear the extent to which low awareness is a result of poor information dissemination by SSA, lack of interest among recipients that are not work-oriented, or general complexness of the policies.

73 David Neumark and Elizabeth T. Powers, "The Effect of the SSI Program on Labor Supply: Improved Evidence from Social Security Administrative Files," *Social Security Bulletin*, 65, no. 3 (2003/2004), 45.

74 Benefit reduction rates cannot be simply added together because formulas usually take into account other governmental assistance when calculating benefits. Thus, when earnings increase, other benefits decrease, reducing the burden those other benefits place on the benefit calculation for each individual benefit calculation.

75 Duggan, Kearney, and Rennane, "The Supplemental Security Income Program," 40.

76 Wright, Livermore, Hoffman, Grau, and Bardos, 2010 National Beneficiary Survey: Methodology and Descriptive Statistics, 42.

SSA has mechanisms in place to explain work-related policies to recipients and how benefits will change if they do make a work attempt. This is a stated purpose of SSA’s Work Incentives Planning and Assistance (WIPA) program. WIPA was created to help SSI recipients and SSDI beneficiaries understand the supports available and financial implications of a transition to work, mostly through counseling.⁷⁷ A Mathematica evaluation found that about 60,000 SSI and SSDI recipients received services from WIPA in 2011.⁷⁸ Nazarov found that such employment counseling services significantly increase work hours and earnings.⁷⁹

Additionally, in SSA’s 2016 Annual Performance Report, the agency noted, “we updated our Supplemental Security Income (SSI) work incentive notices in 2013 to provide more information on our work incentive policies and clearly explain beneficiaries’ reporting responsibilities.”⁸⁰ However, it is unclear whether SSA is evaluating these efforts.

VI. Future Policy Considerations

Many policymakers and academics have proposed strategies to improve work incentives in the SSI program. Some are listed below, without endorsement by the Board. If SSA or Congress attempt any of the major reforms discussed below, we recommend that policies are first tested on a demonstration basis. Additionally, we recommend that any policies that Congress or SSA considers be carefully evaluated for potential budgetary impact.

If SSA or Congress pursues any of these reforms, SSA should do a better job of evaluating the policies than they have done previously. Policies that fail to efficiently improve work outcomes during a demonstration should not be expanded. Additionally, the various income exclusions in the current SSI benefit structure have received far too little attention and would benefit from further evaluation. For example, a recent Inspector General report found that SSA had no effective mechanisms in place to evaluate the PASS program.⁸¹ SSA may do well to experiment with changes in the various income exclusion provisions to test their effectiveness — notably the earned income exclusions and PASS.

a. Adjust the SSI Benefit Reduction Rate for Earnings

Reducing the rate at which benefits fall with earnings could promote work among non-workers now on the rolls, provided that recipients understand the changed formula. As mentioned in an earlier section, the effect of a lower benefit reduction rate — also called a marginal tax rate on earnings — would have an ambiguous effect on current SSI workers.

Although there is little evidence that small changes in benefit reduction rates encourage work, larger changes could have a strong effect. However, lower benefit reduction rates would extend

77 Social Security Administration, “[Work Incentives Planning and Assistance](#).”

78 Jody Schimmel, Sarah Prenovitz, Gina Livermore, and Alex Bryce, [Evaluation of the Work Incentives Planning and Assistance \(WIPA\) Program in 2011: Beneficiaries Served, Services Provided, and Program Costs](#), (Washington, D.C.: Mathematica Policy Research, 2013), xiii – xiv.

79 Zafar E. Nazarov, [Can Benefits and Work Incentives Counseling be a Path to Future Economic Self-Sufficiency for SSI/SSDI Beneficiaries?](#), (Chestnut Hill, MA: Center for Retirement Research at Boston College, 2013).

80 Social Security Administration, [Annual Performance Report 2015-2017](#), (Baltimore: Social Security Administration, 2016), 85.

81 Office of the Inspector General, Social Security Administration, [Audit Report: The Social Security Administration’s Plan to Achieve Self-Support Program](#).

benefits to higher earners than are now served by the program and could extend work disincentive effects to new and larger groups, as well as increase overall program costs.

There are several ways Congress could approach such a change.

First, Congress could significantly raise the fixed-value earnings disregard. The current disregard of \$85 — \$65 of earned income plus the broader \$20 disregard — would cover fewer than 12 hours per month of minimum wage earnings before SSI benefits begin to reduce. If the disregard covered, say, 40 hours of work per month — a \$290 disregard assuming earnings at the federal minimum wage — recipients may be much more willing to test the waters of employment. As noted in an earlier section, adjusting the disregard by inflation from its original 1974 value would result in an even higher disregard (\$65 in 1974 corresponds to \$340 in 2017 dollars, and \$85 in 1974 corresponds to \$444 in 2017 dollars).

Congress could go further by *increasing* SSI benefits as work hours begin to increase, effectively creating a negative marginal tax rate on earnings. This is the approach taken by the Earned Income Tax Credit (EITC) program. A version of the EITC could be extended to adults with disabilities, similar to the EITC benefit available to adults with children. For a single adult with two children, for example, the value of the EITC increases by \$0.40 for every additional dollar earned for the first \$13,930 earned annually. Benefits do not start to phase out until \$18,190 of annual earnings.⁸²

Third, Congress could introduce a dual benefit structure in place of the current SSI benefit — one to serve as a safety net and another to serve as a work incentive. This is the approach argued by Gokhale in his Generalized Benefit Offset (GBO) proposal.⁸³ The proposal uses benefit dollars to encourage work and allows recipients to choose whether and how much to work. It simultaneously provides marginally better safety net support to those who demonstrate that they cannot work by remaining out of the workforce despite the work-incentive benefit component. Gokhale argues that the proposal would transform the current “two-for-one” tax on marginal earnings into a true work incentive.

The major advantage of the above approaches is reduced work disincentives for SSI recipients that are not currently working but considering going back to work. Without loss of benefits associated with starting a new job (or even increased benefits with starting a new job), SSI recipients would likely be much more willing to give work a chance.

An increased fixed-value earnings disregard would not cost the program more by way of SSI recipients opting to start work, as non-working recipients are already receiving the full benefit amount anyway (minus any non-earnings-related benefit reductions). However, under an increased disregard, SSI recipients who are currently working above the initial fixed-value disregard could see their benefits increase without any change in work behavior. Additionally, a higher earnings disregard would increase the total amount of earnings a recipient could earn while still qualifying for payments (due to 1619(a)), allowing for an increase in low-level SSI payments for relatively high earners. By paying out higher benefits for equal levels of work, an

⁸² “[Policy Basics: The Earned Income Tax Credit](#),” Center on Budget and Policy Priorities, last updated October 21, 2016.

⁸³ Jagadeesh Gokhale, “[A New Approach to SSDI Reform](#),” Regulation, Fall 2013, 44.

increased fixed-value disregard would likely also induce many SSI workers to decrease their hours worked. However, since the SGA level would remain the same, eligibility for SSI on the basis of income would be largely untouched for working-age recipients eligible through disability.⁸⁴ The number of additional working-age individuals entering the SSI rolls would be limited to those who are either currently eligible or close to being eligible and induced to apply due to more generous treatment of earnings.

Increasing benefits as earnings initially increase, such as through an EITC expansion, could have a large budgetary impact, especially if effective. The EITC, specifically, has the added limitation that benefits are only paid out once per year, leading to a delayed incentive structure that may weaken work inducing effects. However, Gokhale argues that under the dual benefit approach described above, the work incentive benefit is substantially funded out of reduced safety-net dollars for those who can work, minimizing the overall budgetary impact.

Further, the EITC had an improper payment rate of 23.8 percent in 2015 and the Treasury Department currently has limited authority to correct erroneous claims.⁸⁵ The IRS found that 94 percent of EITC improper payments were due to “inability to authenticate eligibility,” mostly with respect to authenticating qualifying children.⁸⁶ Nonetheless, this strikes the Board as concerning. Congress should thoroughly address these issues before any EITC expansion considerations, or instead consider a similar incentive structure for the SSI program outside of the EITC. Under Gokhale’s dual benefit structure, for example, he recommends calculating benefits based on administrative data on earnings, which he argues would substantially reduce the incidence of improper payments.

b. Target Rehabilitation and Job Preparation Programs Toward Younger Recipients

Congress and SSA could focus reform efforts on employment intervention for youth in receipt of SSI. While TTW has largely been viewed as a failure, similar interventions may be more successful when targeted toward younger recipients.

Congress and the media have long focused on the need to encourage youth receiving SSI to consider and plan for employment. SSA has already begun to build an evidence base for improving employment outcomes for young SSI recipients. From 2003 to 2012, SSA ran the Youth Transition Demonstration (YTD), which expanded employment supports, waived program rules, and increased education and outreach for children in receipt of SSI and their families. While results varied across the six YTD demonstration sites, three years after the service period, young people who were in the treatment group in three of the six sites had an employment rate seven percentage points higher than the youth in the control group.⁸⁷

⁸⁴ A change to the earnings disregard could affect how a recipient’s ineligible spouse’s income is counted, potentially leading to increased eligibility. Additionally, SGA does not apply to child and elderly SSI recipients, and thus a broad change in the earnings disregard would have more substantial eligibility effects for these groups. One work-around would be to carve out separate income counting rules for working-age SSI recipients.

⁸⁵ Treasury Inspector General for Tax Administration, [Without Expanded Error Correction Authority, Billions of Dollars in Identified Potentially Erroneous Earned Income Credit Claims Will Continue to Go Unaddressed Each Year](#), (Washington, D.C.: Treasury Inspector General for Tax Administration, 2016).

⁸⁶ U.S. Department of the Treasury, [Agency Financial Report: Fiscal Year 2016](#), (Washington, D.C., Department of the Treasury, 2016), 227.

⁸⁷ Thomas Franker, Arif Mamun, and Lori Timmins, [Three-Year Impacts of Services and Work Incentives on Youth with Disabilities](#), (Washington, D.C.: Center for Studying Disability Policy, Mathematica Policy Research, 2015).

In 2012, Congress instructed the U.S. Department of Education (DoEd) to fund pilot programs modelled on YTD under the Promoting Readiness of Minors in SSI (PROMISE) initiative. In 2013, DoEd launched six PROMISE projects in 11 states, with one project serving a consortium of five states. The projects were chosen by application, with those promising interventions grounded in current research — including YTD — receiving preference. SSA is responsible for the evaluation of the projects, which will include long-term earnings tracking well beyond the project term. SSA expects to release interim progress reports late next year.

The PROMISE projects are not designed to serve adults currently in receipt of SSI. Evidence suggests that the best time to influence an individual’s long-term prospects for financial independence is when the recipient is younger and has been on benefits for a shorter period of time.⁸⁸ Long-term results of such an approach, however, will not be apparent for quite some time, making it much more difficult to evaluate compared to other policy approaches described in this statement.

In May 2017, the Government Accountability Office (GAO) pointed out that even in the area of youth SSI policy, SSA could undertake discreet regulatory and policy changes to more effectively educate youth and families about existing work incentives and to create meaningful linkages between SSA and support programs like VR and TTW.⁸⁹ For example, GAO reported that the advice and assistance to families by field office employees is not uniform in message and nonexistent in some places.⁹⁰ The Board has also heard anecdotal evidence that messaging at the field office level on many issues is not always uniform or accurate. It seems clear that, whether in the arena of youth or adult SSI policy, a consistent message of encouragement to attempt employment, backstopped with concrete advice about its effect on benefits, should be the goal for those SSA staff who meet with and counsel the public.

The major advantage of early intervention is that much could be done without Congressional action. Indeed, most of the GAO recommendations, as well as SSA improvements in communication, could be done without Congressional action. Additionally, some activities, such as targeted information dissemination and better data collection are relatively inexpensive endeavors. The major disadvantage of this approach is that it does not directly address work disincentives built into the program’s benefit structure.

c. Shift Program Administration to the States

Congress could return SSI in part to the framework that prevailed before its creation, by returning program authority to the states. This is the approach proposed by disability scholars Burkhauser and Daly.⁹¹ Advocates point to success of shifting administration of the Aid to Families with Dependent Children program to the states through the creation of the Temporary Assistance for Needy Families (TANF) program, allowing states to experiment with new assistance policies. This shift corresponded to sharply higher rates of labor force participation by

88 Livermore, “Social Security Disability Beneficiaries with Work-Related Goals and Expectations.”

89 Government Accountability Office, [SSA Could Strengthen Its Efforts to Encourage Employment for Transition-Age Youth](#), (Washington, D.C.: Government Accountability Office, 2017).

90 Government Accountability Office, [SSA Could Strengthen Its Efforts to Encourage Employment for Transition-Age Youth](#), 36.

91 Richard V. Burkhauser and Mary C. Daly, *The Declining Work and Welfare of People with Disabilities*, (Washington, D.C.: The AEI Press, 2011), 113-115.

single mothers.⁹² The practical question is whether similar improvements can be anticipated by devolving administrative responsibility to states for the quite different population served by SSI.

Burkhauser and Daly propose funding SSI through block grants to states while tying the funding to employment and other related outcomes. States could then experiment with eligibility rules, benefit formulas, and work supports much like they have done with through TANF. Burkhauser and Daly argue that administrative infrastructure already in place through TANF would make the transition relatively smooth. They also argue that devolution would help end incentives for states to move adults that are most difficult to employ onto the SSI program in an effort to shift costs to the federal government. Their proposal prevents time limits on SSI benefit receipt, but provides states “some latitude to experiment with penalties for those in this population who do not cooperate with work plans.”⁹³

Such an approach need not be universal, but rather states interested in experimenting with program policy and administration could opt in.

The primary advantage of this proposal is that it would likely not cost the federal government any more than the current program, with a possibility for improved employment outcomes through policy experimentation and innovation. The federal government could fix the amount of the state block grants to current SSI outlays while maintaining current eligibility criteria, forcing states to find savings or cover the difference in costs if eligibility increases going forward. Devolution could also open the door for more community groups to help SSI recipients reach employment goals. States may have closer ties to these groups than the federal government, and could create new incentive or pay-out structures to encourage their involvement.

The primary disadvantage of this approach is that some states may enact policies that perform worse than current law. This could leave some recipients and potential recipients worse off from either an employment or a benefit adequacy standpoint. Further, SSI was created specifically to counter issues that arose from state-to-state variation in administering means-tested programs for the blind, elderly, and people with disabilities, and devolution may recreate some of those issues. Prior to the creation of SSI, the state programs were criticized for state-to-state inconsistency in eligibility requirements and benefit levels. Also, the web of state agencies essentially serving one common purpose was viewed as administratively wasteful compared to the prospects of one federal agency running such a program.⁹⁴

d. Increase Work Expectations for Some Recipients

While universal work requirements would be incongruous with a program primarily designed to aid those unable to work, Congress could create work expectations for those recipients most likely to be able to work. It could do so explicitly by requiring work or implicitly by reducing benefits for recipients deemed most able and likely to work. Expectations could be satisfied either through work or through activities such as rehabilitation, training, education, and counseling.

92 Rebecca Blank, “[Evaluating Welfare Reform in the United States](#),” NBER Working Paper Series, Working Paper 8983 (2002), 18-19.

93 Ibid.

94 Edward Berkowitz and Larry DeWitt, *The Other Welfare: Supplemental Security Income and U.S. Social Policy*, (Ithaca, NY: Cornell University Press, 2013), 14-43.

Work expectations could be tailored to individual functional capacity. Duggan, Kearney, & Rennane note that the “dichotomous” status of disability in the SSI program “stands in contrast to the disability systems of many other countries as well as the Veteran’s Disability Compensation Program, where benefit awards are an increasing function of disability severity.”⁹⁵ While they do not mention work-related expectations directly, they note that tying benefit levels to disability severity warrants consideration.

Hildred, Mazerski, Krent, and Christian advocate for a related but simpler approach that would consider the severity of a disability in the SSDI program, and the principle could be extended to SSI.⁹⁶ That proposal would focus employment supports and transitional benefits on people whose conditions are thought likely to improve, and those benefits would be time limited.

Another proposal by Stapleton, O’Day, Livermore, and Imparato suggests eliminating the “inability-to-work” eligibility requirement and instead tying eligibility solely to limitations of functional capacity. They suggest a presumption that “with appropriate supports, all eligible individuals could work and at least partially support themselves, despite the challenges posed by their functional limitation,” but allow for an automatic rebuttal of the presumption for the most severely impaired.⁹⁷ All others would be expected make “good faith efforts to work over an extended period, after which some might be classified as unable to work.”⁹⁸

These approaches, however, could greatly increase administrative strain on SSA and state DDS offices. The Board regards this effect as a serious problem, as the capacity of SSA to make such distinctions is limited. The Hildred, Mazerski, Krent, and Christian proposal would require the least administrative change. Determining disability on a spectrum of functional capacity or greatly expanding eligibility would likely prove significantly more burdensome to administer relative to the current system. It could also prove more expensive and more prone to error.

There is some evidence that work requirements have been effective in other programs when combined with earnings disregards.⁹⁹ A similar approach might encourage some additional SSI recipients to work. However, any element of compulsion strikes us potentially cruel for the SSI population.

VI. Conclusions

While the characteristics of the SSI population make it particularly difficult for recipients to transition into the workforce, there are numerous provisions currently in place to aid in this process. However, these efforts could be improved. Available instruments include improved economic incentives for work, targeted work supports for younger recipients, tying benefit receipt to work-related activities, and turning program authority over to states for innovation in

⁹⁵ Duggan, Kearney, and Rennane, “The Supplemental Security Income Program,” 67.

⁹⁶ Kim Hildred, Pamela Mazerski, Harold J. Krent, and Jennifer Christian, “Transitional Benefits for a Subset of the Social Security Disability Insurance Population,” in *SSDI Solutions: Ideas to Strengthen the Social Security Disability Insurance Program*, ed. The McCrery-Pomeroy SSDI Solutions Initiative, (West Conshohocken, PA: Infinity Publishing, 2016), 339-356.

⁹⁷ Stapleton, O’Day, Livermore, and Imparato, “Dismantling the Poverty Trap: Disability Policy for the Twenty-First Century,” *The Milbank Quarterly*, 84, no. 4 (2006), 719.

⁹⁸ *Ibid.*

⁹⁹ See, for example, Blank, “Evaluating Welfare Reform in the United States,” 48, 69-72.

policy design. Additional research and experimentation could provide further guidance on these proposals, and improved information dissemination could bolster the effectiveness of both current and proposed policies. We hope Congress and SSA carefully consider all of these proposals for the good of American taxpayers as well as the financial and social wellbeing of the recipients.

Henry J. Aaron, Chair

Lanhee J. Chen • Barbara B. Kennelly • Kim Hildred

Jagadeesh Gokhale • Bernadette Franks-Ongoy

Appendix - Tables

Table 1: Distribution of working-aged SSI recipients, by disability diagnosis and work status, December 2015		
Diagnostic Group	All blind and disabled recipients	Recipients who work (share of total workers)
<i>Total Recipients</i>	4,888,555	311,922
<i>Total Percent</i>	100.0	100.0
<i>Congenital anomalies</i>	0.9	2.5
<i>Endocrine, nutritional, and metabolic diseases</i>	2.4	0.9
<i>Infectious and parasitic diseases</i>	1.3	0.9
<i>Injuries</i>	2.5	1.3
<i>Mental disorders</i>		
<i>Autistic disorders</i>	2.3	6.7
<i>Developmental disorders</i>	0.8	1.3
<i>Childhood and adolescent disorders not elsewhere classified</i>	1.0	1.8
<i>Intellectual disability</i>	18.8	37.0
<i>Mood disorders</i>	16.1	9.3
<i>Organic mental disorders</i>	3.8	4.3
<i>Schizophrenic and other psychotic disorders</i>	8.8	5.5
<i>Other mental disorders</i>	5.8	4.6
<i>Neoplasms</i>	1.3	0.9
<i>Diseases of the:</i>		
<i>Blood and blood-forming organs</i>	0.4	0.5
<i>Circulatory system</i>	4.3	1.3
<i>Digestive system</i>	1.0	0.5
<i>Genitourinary system</i>	1.1	0.7
<i>Musculoskeletal system and connective tissue</i>	14.0	5.1
<i>Nervous system and sense organs b</i>	7.8	8.9
<i>Respiratory system</i>	2.1	0.8
<i>Skin and subcutaneous tissue</i>	0.2	0.1
<i>Other</i>	0.3	0.4
<i>Unknown</i>	2.9	4.8

Source: Social Security Administration, *SSI Annual Statistical Report, 2015*, 95.

Table 2: Reasons cited by SSI recipients for not working (percent of non-working respondents; multiple responses allowed)		
	SSI-DI recipients	SSI-only recipients
<i>Physical or mental condition prevents work</i>	88.5%	87.9%
<i>Discouraged by previous work attempts</i>	27.4%	25.1%
<i>Others do not think he/she can work</i>	28.8%	22.8%
<i>Workplaces not accessible to people with his/her disability</i>	28.0%	25.0%
<i>Cannot find a job he/she is qualified for</i>	26.6%	22.9%
<i>Lacks reliable transportation to/from work</i>	19.2%	21.2%
<i>Does not want to lose cash or health insurance benefits</i>	17.3%	15.7%
<i>Employers will not give him/her a chance</i>	16.1%	16.2%
<i>Cannot find a job he/she wants</i>	8.1%	11.3%
<i>Is caring for someone else</i>	7.9%	10.9%
<i>Waiting to finish school/training program</i>	4.6%	5.2%
<i>Other</i>	2.3%	1.7%
Source: Wright, Livermore, Hoffman, Grau, and Bardos, "2010 National Beneficiary Survey: Methodology and Descriptive Statistics," 32.		

Table 3: Overview of SSI multiple program receipt and associate benefit and eligibility features

Program	Percent of working age SSI Recipients Assisted ¹	Monthly Income Limit	Earned Income Disregard for Benefit Calculation	Benefit Reduction Rate
SSI ²	100%	\$1,555 (\$2,291 for a couple)	\$65, plus 50% of earned income per month	50%
SNAP ³	58%	\$990 (\$1,335 for a household of 2)	\$157, plus 20% of earned income per month	24% ^b
TANF ⁴	5%	Varies by state, ranging from \$269 to \$1,631 (family of three)	Varies by state, with lump-sum disregards ranging from \$0 to \$250, and percent earnings disregards ranging from 20% to 75%	Varies by state, ranging from 0% to 100%
Medicaid ⁵	93%	Varies by state; SSI recipients categorically eligible in 41 states	5% of the federal poverty line	Fixed benefit package
Housing Assistance ⁶	25%	80% of Area Median Income	Several, including \$480 per dependent child, \$400 per disabled or elderly family member, child care expenses, and a portion of medical expenses ^g	30%

Table 3, continued

Program	Percent of working age SSI Recipients Assisted ¹	Monthly Income Limit	Earned Income Disregard for Benefit Calculation	Benefit Reduction Rate
EITC	29%	Varies based on filing status and number of dependent children	Varies based on filing status and number of dependent children	Varies based on filing status and number of dependent children

Sources and Notes:

¹ Duggan, Kearney, and Rennane, “The Supplemental Security Income Program,” 40. Numbers are for adults ages 18 to 64, calculated using wave 15 of the 2008 panel of the Survey of Income and Program Participation. EITC-SSI overlap was calculated by SSAB staff using wave 1 of the 2014 panel of the Survey of Income and Program Participation (also adults ages 18 to 64).

² Social Security Administration, *2017 Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs*, 2, 39. Income limits represent income required to attain zero benefit status given income solely consisting of earnings. To enter SSI rolls, individuals must earn less than SGA, which is \$1,170 per month. In addition to the earned income lump-sum disregard of \$65, SSI also has a general income disregard of \$20.

³ “Supplemental Nutrition Assistance Program (SNAP),” *United States Department of Agriculture*, <https://www.fns.usda.gov/snap/fact-sheet-resources-income-and-benefits>. SNAP benefits are reduced by 30% for each additional dollar of net income, with net income subject to its own 20% disregard. Thus, 80% of additional income is counted, and benefits are reduced by 30% of that amount ($.8 * .3 = .24$).

⁴ U.S. Department of Health and Human Services, *Temporary Assistance for Needy Families Program (TANF): Eleventh Report to Congress*, (Washington, DC: U.S. Department of Health and Human Services, 2016), 84. Hawaii has an income limit of \$1,740 for the first two months, falling to \$1,441 thereafter. Wisconsin allows no families on TANF roles with earnings at the time of application. Some states have exclusively lump sum or percent disregards, while most states combine the two. Louisiana has a lump sum earning disregard of \$1,020 for the first 6 months, but only \$120 thereafter. Some states only have a lump-sum earnings disregard, reducing benefits by 0% until the disregard threshold is met, and then reducing benefits one for one. Other earnings disregards range from 20% to 75%.

⁵ Kalman Rupp and Gerald F. Riley, “State Medicaid Eligibility and Enrollment Policies and Rates of Medicaid Participation among Disabled Supplemental Security Income Recipients,” *Social Security Bulletin*, 77, no. 3 (2016): 1, <https://www.ssa.gov/policy/docs/ssb/v76n3/v76n3p17.pdf>. “Medicaid Income Eligibility Limits for Adults as a Percent of the Federal Poverty Line: Timeframe as of January 1, 2017,” *Kaiser Family Foundation*, <http://kff.org/health-reform/state-indicator/medicaid-income-eligibility-limits-for-adults-as-a-percent-of-the-federal-poverty-level>.

⁶ U.S. Department of Housing and Urban Development, *Occupancy Requirements of Subsidized Multifamily Housing Programs*, (Washington DC, U.S. Department of Housing and Urban Development, 2013), Chapters 3 and 5, https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/4350.3. Percent receipt applies to any housing assistance, while program rules apply to only HUD assistance. The HUD disregards apply to earned and unearned income.

Table 4: Proportion of SSI recipients aware of various work incentive provisions		
Provision	SSI-SSDI recipients	SSI-only recipients
<i>Ticket to Work</i>	28.7%	21.5%
<i>1619(b) continued Medicaid Coverage</i>	14.0%	12.1%
<i>Expedited reinstatement</i>	8.5%	5.7%
<i>PASS</i>	9.1%	7.8%
<i>Earned Income Exclusion</i>	13.9%	11.9%
<i>IRWE or BWE</i>	8.1%	3.1%
<i>Student earned income exclusion</i>	13.4%	7.0%
Source: Wright, Livermore, Hoffman, Grau, and Bardos, <i>2010 National Beneficiary Survey: Methodology and Descriptive Statistics</i> , 42. SEIE calculated among SSI recipients age 25 and under who began receiving benefits before age 22. It is not clear whether the “Earned Income Exclusion” refers to the lump-sum disregard, the 50% BRR, or both.		

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